

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

July 22, 2011

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

Consent to Lease of Lands under Governor's Executive Order No. 4130 to Hawaii
Housing Finance and Development Corporation, Iwilei, Honolulu, Oahu, Tax
Map Key: (1) 1-5-007:002.

CONTROLLING AGENCY (of subject executive order):

Hawaii Housing Finance and Development Corporation (HHFDC)

APPLICANT (requesting lease):

Senior Residence at Iwilei Limited Partnership

LEGAL REFERENCE:

Section 171-11, Hawaii Revised Statutes, as amended.

ZONING:

State Land Use District: Urban
City and County of Honolulu LUO: BMX

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CURRENT USE STATUS:

Governor's Executive Order No.4130 to Hawaii Housing Finance and Development
Corporation for affordable rental housing project purposes.

LEASE TERMS & CONDITIONS:LOCATION:

Portion of Government lands situated at Iwilei, Honolulu, Oahu, identified by Tax Map Key: (1) 1-5-007:002 as shown on the attached map labeled **Exhibit A**.

AREA:

1.825 acres, more or less.

CHARACTER OF USE:

Affordable Senior Rental Housing purposes

TERM:

75 years, commencing March 29, 2007 and expiring on March 31, 2082.

RENT AMOUNT:

\$ 1 per annum.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Impact Statement of the subject housing project was published on The Environmental Notice dated February 23, 2002.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>x</u>	NO <u> </u>
Registered business name confirmed:	YES <u>x</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>x</u>	NO <u> </u>

REMARKS:

The subject parcel was returned by the Oahu Railway and Land Company in 1961 after the State filed a complaint for non-railroad related activities conducted on the property. Around 1991, the Board authorized the setting aside of the subject parcel to the Department of Accounting and General Services for the proposed Liliha Civic Center intended to house State agencies and other non-profit organizations.

Around 2000, discussions were conducted between the housing agency and DAGS regarding the optimal use of the subject parcel. On October 12, 2001, the Board authorized setting aside the subject parcel to HHFDC for affordable rental housing project.

HHFDC has entered a 55-year to the Senior Residence at Iwilei Limited Partnership (Developer) in 2007 which would allow the Developer to develop and operate the housing project. In 2011, the Legislature appropriated \$26 million of Capital Improvement Program to fund the construction of the project.

Recently, the Developer applied to US Department of Housing and Urban Development (HUD) for funding of 40 units within the project to be leased at 50% and below the HUD area median income. As part of the HUD requirement, the lease mentioned above needs to be extended for an additional 20-year period.

171-36(a)(2), HRS states, "No lease shall be for a longer term than sixty-five years, except in the case of a residential leasehold which may provide for an initial term of fifty-five years with the privilege of extension to meet the requirements of the Federal Housing Administration, Federal National Mortgage Association, Federal Land Bank of Berkeley, Federal Intermediate Credit Bank of Berkeley, Berkeley Bank for Cooperatives, or Veterans Administration requirements; provided that the aggregate of the initial term and extension shall in no event exceed seventy-five years."

HHFDC has indicated in its letter attached as **Exhibit B** that it will seek its Board of Directors approval to grant the extended period at no further consideration. Accordingly, HHFDC requests the Board consent to extending the lease with the Developer for another 20 years. Staff cannot locate any prior consent from the Board on the original 55-year lease. Therefore, staff recommends the Board consent to the entire 75-year lease for housekeeping purposes.

The lease is consistent with the purpose of the Governor's Executive Order No. 4130. There are no other pertinent issues or concerns and staff has no objection to the request.

RECOMMENDATION:


That the Board consent to the 75-year lease between Hawaii Housing Finance and Development Corporation and Senior Residence at Iwilei Limited Partnership, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

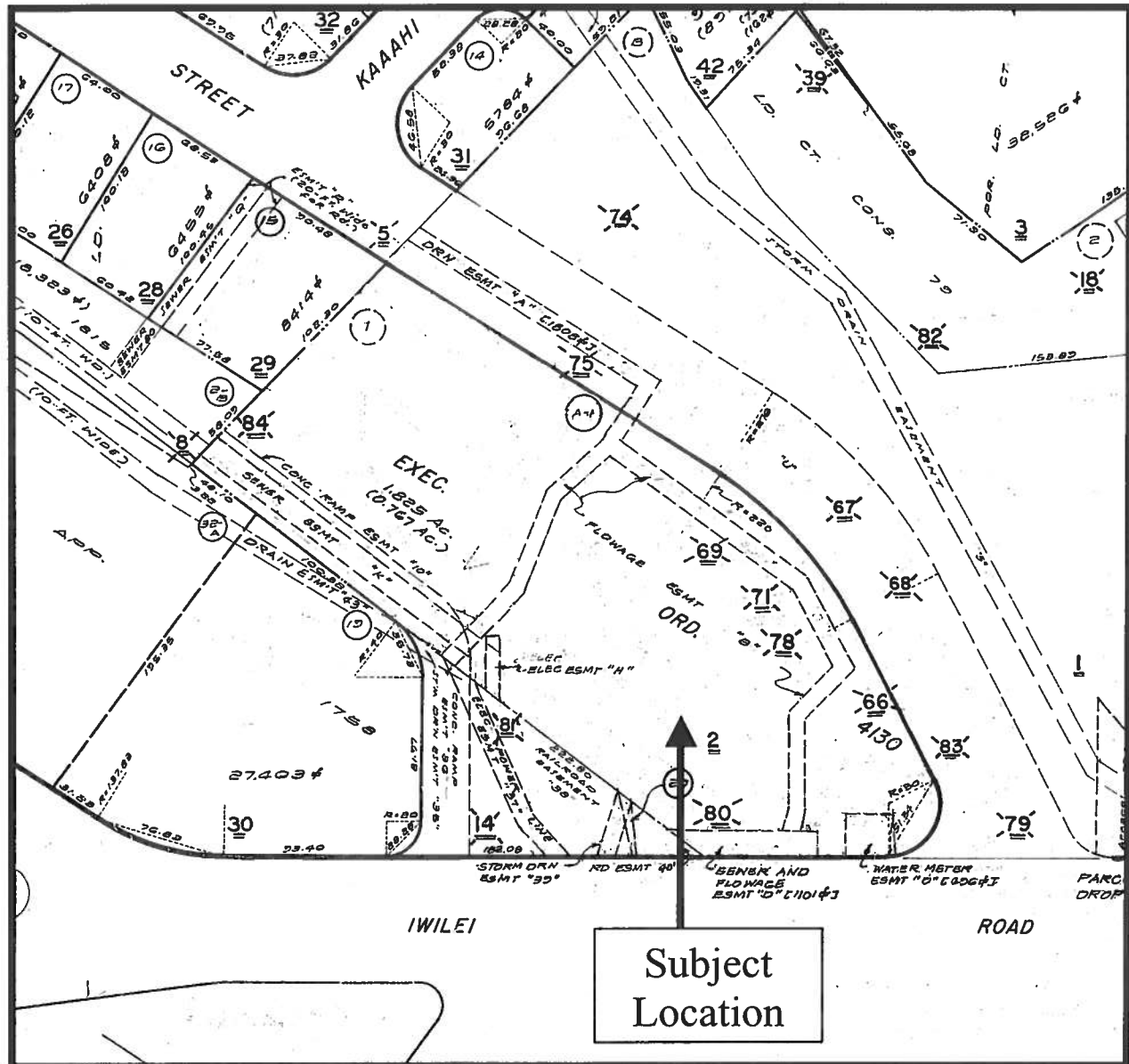


Barry Cheung
District Land Agent

APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson



TMK (1) 1-5-007:002

EXHIBIT A

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII


DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

11:DEV/0079

June 27, 2011

Memo to: William J. Aila, Jr., Chairman
Board of Land and Natural Resources

From: Karen Seddon
Executive Director 

Subject: Request For Consent to Extend Ground Lease With Developer
Senior Residence at Iwilei
Iwilei, Oahu, Hawaii
TMK (1) 1-5-007: 002

The Hawaii Housing Finance and Development Corporation (HHFDC) received a set aside of the property for the above subject Senior Residence at Iwilei affordable rental housing project in Iwilei, Oahu, Hawaii, TMK (1) 1-5-007: 002, by Governor's Executive Order No. 4130 dated October 24, 2005.

In accordance with approval by the Board of Land and Natural Resources dated October 12, 2001, as amended, a Ground Lease at \$1/year for 55 years was executed with the Senior Residence at Iwilei Limited Partnership for the development and operation of 159 affordable senior rental units (and one resident manager's unit) on March 29, 2007 which was recorded at the Bureau of Conveyances of the State of Hawaii as Document No. 2007-071972 and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3591388 and noted on Transfer Certificate of Title No. 85,214.

In 2011, the Hawaii Legislature appropriated \$26 million of Capital Improvement Program (CIP) funds to assist with construction of the project. See Item A.21, Part IV, of 2011 HB 200, HD1, SD1, CD1.

On June 21, 2011, the developer also submitted an application for U.S. Department of Housing and Urban Development (HUD) Section 202 funds for 40 units in the project. To satisfy HUD site control requirements, HHFDC submitted the enclosed letter dated

EXHIBIT "B"

Memo to: William J. Aila, Jr., Chairman
June 27, 2011
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June 6, 2011 indicating that if the project is awarded the HUD funds, HHFDC will seek approval from its Board of Directors for an extension of the Ground Lease by 20 years at no additional consideration.

In anticipation of favorable consideration by HUD and to facilitate proceeding with the project expeditiously upon award, HHFDC requests BLNR's consent to extend HHFDC's Ground Lease with the Senior Residence at Iwilei Limited Partnership by 20 years to a 75-year term for no additional consideration should all or a portion of the HUD 202 funds be awarded to the project.

Your favorable consideration of this matter is requested.

Should there be any questions or comments regarding this matter, please contact Stan S. Fujimoto, Project Manager, at 587-0541.

Enclosure

c: Senior Residence at Iwilei Limited Partnership, memo only

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

11:DEV/0067

June 6, 2011

Mr. Marvin B. Awaya, Executive Director
Pacific Housing Assistance Corporation
677 Ala Moana Boulevard, Suite 712
Honolulu, Hawaii 96813

Dear Mr. Awaya:

Subject: Extension of Ground Lease
Senior Residence at Iwilei Project
Iwilei, Oahu, Hawaii
TMK (1) 1-5-007: 002

This letter refers to the pending development of the 160-unit Senior Residence at Iwilei project at Iwilei, Oahu, Hawaii, TMK (1) 1-5-007: 002 ("Project") which upon completion will provide affordable rental housing opportunities for the elderly of very low and low incomes, as follows:

40	Units at 50% and below the HUD area median income
119	Units at 60% and below the HUD area median income
<u>1</u>	Resident Manager's Unit
160	Units Total

It is our understanding that Pacific Housing Assistance Corporation ("PHAC") is applying to the U.S. Department of Housing and Urban Development ("HUD") for an allocation of capital advance funds for 40 units at the Project pursuant to the supportive housing for the elderly program described in Section 202 of the Housing Act of 1959, as amended.

PHAC already has site control over the Project land pursuant to that certain Ground Lease to the Senior Residence at Iwilei Limited Partnership dated March 29, 2007 which was recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2007-071972 and filed in the Office of the Assistant Registrar of the Land Court of

Mr. Marvin B. Awaya, Executive Director
Pacific Housing Assistance Corporation
RE: Senior Residence at Iwilei
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the State of Hawaii as Document No. 3591388 and noted of Transfer Certificate of Title No. 85,214, for a term of 55 years. However, in order to satisfy HUD requirements for Section 202 capital advance financing, HUD requires that the term of the Ground Lease include an option to the lessee to extend the term to 75 years for no additional consideration. To comply with that requirement, PHAC is requesting that the Ground Lease be amended to include an option to the lessee to extend the term of the Ground Lease for an additional 20 years and include such other requirements for Section 202 capital advance funding, provided that HUD selects PHAC's application. If HUD selects PHAC's application for Section 202 capital advance funds, the units that are developed with such financing will be rent and income restricted to elderly persons whose income does not exceed 50% of the area median income.

The Hawaii Housing Finance and Development Corporation ("HHFDC") is the lessor of the Ground Lease and is a public body and corporate body and politic of the State of Hawaii. It is governed by a Board of Directors ("Board"). In order to approve PHAC's request, HHFDC Board action will be required.

However, recognizing that the provision of affordable rental housing for the elderly is in the public interest and the application for an award of HUD Section 202 capital advance funds is due shortly and the time constraints of the HUD Section 202 funding round will not permit PHAC to obtain HHFDC Board approval, I, as HHFDC Executive Director, issue this letter and inform PHAC that the HHFDC staff will prepare a "For Action" memorandum to the HHFDC Board to consider authorizing HHFDC to amend the Ground Lease to include an option to the lessee to extend the term of the Ground Lease for an additional 20-years or a total term of 75 years without imposition of additional covenants or restrictions and such other requirements for Section 202 capital advance funding only contingent on the necessary HHFDC Board approval action.

Should there be any questions or comments regarding this matter, please contact Stan S. Fujimoto, Project Manager, at 587-0541.

Sincerely,



Karen Seddon
Executive Director